

Housing leased to city for fire victims. A nonprofit organization that provides rental housing and related services at cost to a city for its use as free temporary housing for families whose homes have been destroyed by fire is not an exempt charitable organization.

'Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable purposes.

'The organization was formed for the purpose of leasing housing to a city at cost. The city uses the housing to accommodate families whose homes or apartments have been destroyed by fire. The housing is furnished to these families on a temporary basis, pending their relocation to permanent housing.

'The lease contract requires that the organization make all necessary repairs, provide adequate winter heating, provide security guards, and perform other services normally associated with providing rental housing.

'The city selects the tenants, determines their length of stay, and makes arrangements for their permanent housing. The temporary housing is furnished to families by the city at no charge and without regard to their ability to pay.

'The organization's receipts come entirely from the city, and its disbursements are made solely in connection with the furnishing of the housing and the related services, including salaries to its employees who provide the services required by the contract.

'Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable purposes.

'Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes the relief of the poor and distressed.

'Providing free rescue and emergency services to distressed persons suffering because of fire, flood, accident, or other disaster is recognized in Rev. Rul. 69-174, 1969-1 C.B. 149, as a charitable activity.

'Similarly, the providing of free temporary housing to distressed persons in need of adequate housing is a charitable activity. However, in the instant case, it is the city rather than the organization that is providing free temporary housing to the distressed families. The organization is merely leasing

housing property and providing certain maintenance and other services in connection therewith to the city at cost in a manner similar to organizations operated for profit, and is not itself engaged in charitable activities.

'Accordingly, the organization is not operated exclusively for charitable purposes and does not qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

'Compare Rev. Rul. 70-535, 1970-2 C.B. 117, which holds that a nonprofit organization providing management services to low and moderate income housing projects for a fee does not qualify for exemption.